



General Assembly

**Substitute Bill No. 922**

*January Session, 2003*

**AN ACT CONCERNING THE PURCHASE OF EXTENDED WARRANTY  
CONTRACTS ON MOTOR VEHICLES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 42-260 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2003*):

3 (a) As used in this section:

4 (1) "Extended warranty" means a contract or agreement [for repair  
5 service] to either perform or provide indemnification for the repair,  
6 replacement or maintenance of a product because of operational or  
7 structural failure of [a] such product due to a defect in materials, skill  
8 or workmanship or normal wear and tear given for consideration over  
9 and above the lease or purchase price of a product.

10 (2) "Extended warranty provider" means a person who issues,  
11 makes, provides or offers to provide an extended warranty to a buyer  
12 and who is contractually obligated to provide service under such  
13 extended warranty, excluding a retail seller of an extended warranty if  
14 such seller: (A) Is the manufacturer of the product covered under the  
15 extended warranty, or a subsidiary of the manufacturer; (B) sells or  
16 offers an extended warranty for a product obligating the manufacturer,  
17 a subsidiary of the manufacturer, a distributor or an importer to  
18 provide the service [of] or indemnification arising under the extended  
19 warranty; or (C) performs at least ninety per cent of the repair service

20 provided to buyers pursuant to extended warranties purchased from  
21 such seller.

22 (3) "Buyer" means a person who purchases an extended warranty  
23 from an extended warranty provider.

24 (4) "Extended warranty reimbursement insurance policy" means a  
25 policy of insurance providing coverage for all obligations and  
26 liabilities incurred by an extended warranty provider under the terms  
27 of the extended warranty sold to a buyer by such provider.

28 (b) An extended warranty shall obligate the extended warranty  
29 provider to supply to the buyer all services and functional parts that  
30 may be necessary to repair the product for the duration of the  
31 extended warranty without additional charge, except as otherwise  
32 expressly provided.

33 (c) An extended warranty shall contain all of the following:

34 (1) A clear description and identification of the product;

35 (2) The date when the extended warranty commences and its  
36 duration, and, if the extended warranty is for less than one year, the  
37 extended warranty shall include a provision for the automatic  
38 extension of the extended warranty while the product is in the custody  
39 of the extended warranty provider for repair under such warranty;

40 (3) A description of the limits on transfer or assignment of the  
41 extended warranty if the enforceability of an extended warranty is  
42 limited to the original buyer or is limited to persons other than every  
43 consumer owner of the covered product during the term of the  
44 extended warranty;

45 (4) A statement of the obligation of the extended warranty provider  
46 including statements of: (A) Any services, parts, components, defects,  
47 malfunctions, conditions, repairs or remedies that are excluded from  
48 the scope of the extended warranty; (B) any limits on the obligations of  
49 the extended warranty provider; (C) any additional services which the

50 extended warranty provider will supply; (D) whether the buyer has  
51 the responsibility of any other obligations and, if so, the nature and  
52 frequency of such obligations, and the consequences of any  
53 noncompliance;

54 (5) A step-by-step explanation of the procedure which the buyer  
55 shall follow in order to obtain performance of any obligation under the  
56 extended warranty including: (A) The full legal and business name of  
57 the extended warranty provider; (B) the mailing address of the  
58 extended warranty provider; (C) the persons or class of persons that  
59 are authorized to perform service; (D) the name or title and address of  
60 any agent, employee or department of the extended warranty provider  
61 that is responsible for the performance of any obligations; (E) the  
62 method of giving notice to the extended warranty provider of the need  
63 for service; (F) whether in-home service is provided or, if not, whether  
64 the costs of transporting the product for service or repairs will be paid  
65 by the extended warranty provider; (G) if the product must be  
66 transported to the extended warranty provider, either the place where  
67 the product may be delivered for service or repairs or a toll-free  
68 telephone number which the buyer may call to obtain that information;  
69 (H) all other steps which the buyer must take to obtain service; and (I)  
70 all fees, charges and other costs that the buyer must pay to obtain  
71 service;

72 (6) A description of the services the extended warranty provider  
73 will supply under the extended warranty; and

74 (7) A statement of a right to cancel the warranty if the buyer returns  
75 the product or the product is sold, lost, stolen or destroyed, or a  
76 statement that there is no right to cancel.

77 (d) (1) An extended warranty shall not be issued, sold or offered for  
78 sale unless the extended warranty provider is insured under an  
79 extended warranty reimbursement insurance policy issued by an  
80 insurer authorized to do business in this state or the extended  
81 warranty provider can demonstrate that reserves for claims contained

82 in the provider's financial statements are not in excess of one-half of a  
83 provider's audited net worth. If such reserves are in excess of one-half  
84 of a provider's net worth, the reserves shall be held in trust by an  
85 independent trustee and certified annually as adequate by an actuary.

86 (2) The extended warranty reimbursement insurance policy shall  
87 cover the obligations under the extended warranty sold by the  
88 extended warranty provider during the period of time that such  
89 provider's insurance policy is in force.

90 (e) An extended warranty provider shall submit to the Insurance  
91 Commissioner: (1) A copy of the extended warranty form issued by  
92 said provider; and (2) a copy of said provider's extended warranty  
93 reimbursement insurance policy form issued by an insurer authorized  
94 to do business in this state or a certification by a certified public  
95 accountant attesting to the adequacy of the reserves for claims  
96 reported on said provider's financial statements or contained in said  
97 provider's trust account.

98 (f) (1) An extended warranty shall contain the name and address of  
99 the insurers insuring the obligations and liabilities of such warranty  
100 and instructions on how the buyer, or successor to the buyer's rights,  
101 of the product may file a claim with the insurer if the extended  
102 warranty provider fails to perform according to the terms of the  
103 extended warranty.

104 (2) An insurer of an extended warranty shall not refuse to renew  
105 any policy unless such insurer or its agent shall send, by registered or  
106 certified mail or by mail evidenced by a certificate of mailing or  
107 delivery to the Insurance Commissioner, at least sixty days' advance  
108 notice of its intention not to renew. The notice of intent not to renew  
109 shall state or be accompanied by a statement specifying the reason for  
110 such nonrenewal.

111 (g) The Insurance Commissioner shall develop regulations, in  
112 accordance with chapter 54, implementing an arbitration process to  
113 settle disputes arising from extended warranty contracts between

114 extended warranty providers and buyers.

115 (h) Nothing in this section shall apply to a home warranty contract  
116 or home warranty service agreement, as defined in section 38a-320,  
117 [automobiles] or regulated utilities.

This act shall take effect as follows:	
Section 1	<i>July 1, 2003</i>

<b>TRA</b>	<i>Joint Favorable C/R</i>	INS
<b>INS</b>	<i>Joint Favorable Subst.</i>	